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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 0408

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RUEHVEN/USMISSION USOSCE 2300

UNCLAS ASHGABAT 000324

SIPDIS

SENSITIVE

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STATE FOR SCA/CEN, EEB

E.O. 12958: N/A

TAGS: PGOV ECON SOCI TX

SUBJECT: TURKMENISTAN: WEEKEND INSPECTIONS LEAD TO SHOP CLOSURES AND BETTER PRICES -- AT LEAST, TEMPORARILY

REF: ASHGABAT 0290

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) Over the weekend of March 1-2, Embassy officers noticed that some private shops at some of the larger markets were closed or sealed for inspection, especially shops selling imported alcohol, tobacco, and other luxury goods. Bucking the trend of recent days (reftel), good-quality meat and poultry were readily available for much lower-than-usual prices. (NOTE: As reported reftel, meat merchants recently have been resorting to a number of measures to get higher-than-allowed prices for their meat, including both selling only low-quality meat at the government price or forcing consumers to pay more for better-quality meat, then telling those customers to under-report the price they paid for meat if asked by police. END NOTE.) On March 3, the shops were open again, with registration certificates displayed in the windows. Meat prices had risen back above the government limit of 39,000 manat per kilo to 55,000 manat (approximately \$2.75 at the commercial exchange rate) by the following weekend.

¶3. (SBU) COMMENT: This temporary shutdown was connected to tax inspections, which lasted only a day or two. The presence of inspection officials forced meat sellers to sell meat at the government-imposed prices. The authorities also routinely close markets on the first Monday of the month for the ubiquitous Soviet-style "sanitary inspection." And police routinely patrol markets in order to kick ladies selling milk out of the peripheral areas. None of these practices are encouraging the foundation of a market economy, which government officials proclaim they have an interest in doing. While making sure food stalls are sanitary and checking tax receipts are the purported reasons for the inspections, they also provide rent-seeking opportunities. The system of routine closures probably won't end any time soon, as it is one of the main ways in which sanitary and tax inspectors and the police supplement their meager government

salaries with bribes. As evident from the price rise in the meat markets, despite government efforts to control some prices, supply-and-demand market principles still win out.

END COMMENT.

HOAGLAND